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Welcome to Peru

¶1. Post warmly welcomes Congressman Smith's visit to Peru and greatly appreciates his interest in both trafficking in persons (TIP) and women's and children's health issues. Over the last two years, the Peruvian Government has awakened to the TIP problem and has taken serious steps to combat it. In addition, the Toledo Administration has presided over four years of economic growth, which has cut into the rates of poverty, child poverty, and infant mortality.

Trafficking in Persons

¶2. Your visit will provide an opportunity to emphasize the importance of trafficking in persons as a key element in our bilateral human rights agenda. At the same time, it will provide an opportunity for the Peruvians to discuss the progress they have made in this area. In two short years, Peru has gone from near total denial on TIP to effective action. Among the measures the Peruvians have taken are:

- Formed a permanent, Ministerial-level Multi-Sectoral Committee dedicated to TIP; the organization includes representatives from government ministries, local and international NGOs, and international organizations;
- Increased police raids against clandestine brothels that employ underage women;
- Arrested a notorious trafficker of Peruvians to Japan;
- Passed a law that significantly raised the penalties for clients and pimps of underage prostitutes;
- Repatriated two Peruvian TIP victims from Japan;
- Undertaken, with U.S. assistance, three anti-TIP Programs, including a key program to create a data collection system to track TIP victims and identify traffickers.

¶3. Along with their government, Peruvian individuals and institutions have stepped forward as hemispheric leaders on TIP. The Catholic religious order, The Sisters of Adoration, whose shelter for TIP victims you will visit, were cited as "International Heroes" in the June 2005 TIP Report, the only group in Latin America to be so recognized. In addition, Peruvians Antonio Querol and Gonzalo Sarmiento are now replicating a missing persons website that they originally developed for Peru across Latin America with the help of Save the Children, Switzerland.

¶4. This movement forward on TIP results from larger advances that Peru has made in both the political and economic arenas. Unfortunately, public perception lags behind real progress, and public pessimism and political division at times threaten to undermine this still-nascent democracy.

The Political Scene

¶5. Former President Fujimori's 11/16 arrest in neighboring Chile has further muddied an already complex political scene. President Toledo is already well into his last year in office. While his popularity remains low, his government is stable. All rivals have their eyes on the election and on maintaining economic and political stability in the hope of inheriting a steady ship next July 28.

¶6. Toledo's priorities for his remaining months in office are: passage of a Free Trade Agreement (FTA) with the United States, ensuring an orderly transition to a successor, and securing enough seats for his Peru Possible party in the coming Congress to retain political influence, block retaliation against him, and lay a base for another Toledo presidential campaign in 2011.

17. The Peruvian political scene is fragmented, with 29 parties registered to field presidential and congressional candidates in the 4/4/06 elections. Peru's political parties, with the exception of APRA, are not well institutionalized. No candidate currently has registered more than 27 percent support in the polls. Fujimori's arrival in Chile adds to the existing uncertainty that promises a volatile and unpredictable election campaign.

The Economy

18. Peru's economy is one of the most dynamic in Latin America. GDP grew 5.1 percent in 2004, reaching \$67 billion. Growth was driven by exports, construction, mining, investment, and domestic demand. Exports, propelled by high mineral prices, ATPDEA benefits and the completion of the Camisea gas project, surged above \$12 billion in 2004, up 39 percent in dollar terms from 2003. U.S. exports to Peru increased 27 percent during the same period, to \$1.8 billion. Peru's \$2.6 billion trade surplus drove the currency up 5.5 percent against the dollar over the year.

19. The economy has steamed ahead in 2005, with a growth rate of 5.6 percent for the first half of the year. Exports are up another 20 percent since last year, and reserves have hit a record \$14.1 billion. Inflation is 2.5 percent, and the government is on track to meet its deficit target of one percent of GDP for 2005. Revenues are up 11 percent since last year.

10. Peru's major trading partners are the U.S., China, EU, Chile and Japan. In 2004, 29 percent of exports went to the U.S. and 20 percent of imports came from the U.S. Key exports include gold, copper, fishmeal, textiles and apparel, petroleum, zinc, asparagus and coffee. Imports include machinery, vehicles, processed food, petroleum and steel. Registered foreign direct investment (FDI) is \$12.9 billion, with the U.S., Spain and Britain the leading investors. FDI is concentrated in mining, electricity, telecom and finance.

11. Despite Peru's macroeconomic success, huge challenges remain. Peru must reduce poverty of 52 percent (under \$58/month) and extreme poverty of 24 percent (under \$32/month). Wealth and economic activity are overly concentrated in Lima and other large cities. Unemployment and underemployment levels total 56 percent nationwide, and over 60 percent of the economy is informal. Growth is just beginning to generate employment faster than new entrants come into the labor force. The government lacks revenues for adequate social investment. Boosting long-term growth and reducing poverty will require strengthening the judiciary, reducing corruption and completing other reforms to improve the investment climate.

Peru as a Regional Partner

12. Peru is a solid U.S. ally. Opinion surveys show that the United States is admired in Peru. Of all the Andean Countries, after Colombia, Peru is our most reliable partner.
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